The 1973 Annual Report of Markborough Properties Limited

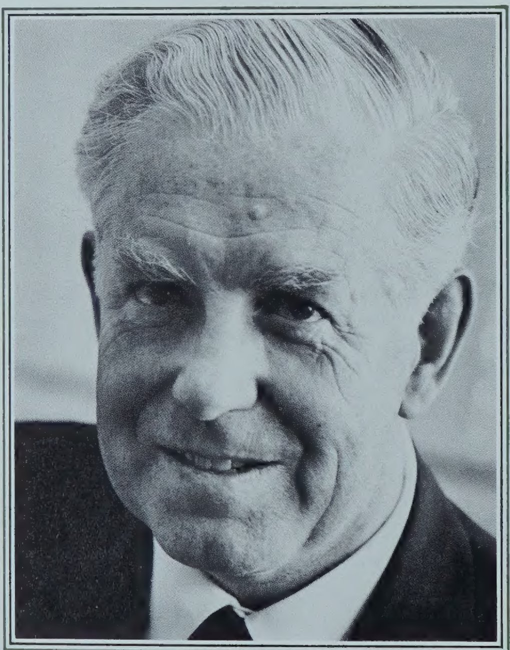
"It was a very good year."

Dear Shareholder,

It was a very good year; in fact, the best we ever had.

Our gross revenue was $36,173,300, up over 23.6 million dollars from 1972. After full provision for taxes, net profit was $6,065,400 or $1.53 per share. This compares to $984,500 or $0.26 per share last year.

Residential and industrial land sales quadrupled: from $7,046,800 to $29,448,700. Phases I and II in Meadowvale West (Mississauga) and Brimley Forest (Scarborough) were the major projects, accounting for 80% of our total land sales.



Income property profit was down slightly. This resulted from a $235,000 loss on a single office building: 240 Duncan Mill Road. However this building is now over 80% leased. With additional leasing expected in 1974 I am certain we will soon see "240" producing a profit. Another positive note: with the exception of this building, our income property profit improved by 20%.

Our general and administrative expenses increased from $784,700 to $1,099,100. The principal reasons were the higher cost of doing business and our expanded operations. Needless to say we work to control increases in operating overhead. But where we cannot, we will make certain those necessary increases work very hard for us.

The Company's financial position at the year end was sound. Short term investments and accounts and mortgages receivable totalled almost $28 million compared to $7 million a year earlier. A portion of this substantial amount is expected to be realized in cash in 1974. This will provide the company with a significant source of funds for our programs of construction, development and land acquisition.

Raw land inventory went up by 800 acres, most of it in the Oakville, Whitby and Burlington areas. This increase was partially offset by our Brimley and Meadowvale lands put into production and by the Federal Government's expropriation of 165 acres in Markham. By the year end, we held 3,725 acres of raw land, 200 over last year. Since the year end, we have acquired additional acreage, including three parcels near Cleveland, Ohio.

We increased our income property portfolio by eight buildings, totalling 431,000 square feet. Three others were under construction at the end of the year. Seven of the eight were industrial buildings. All but one of these were built by our Industrial Division.

You have no doubt read of our joint venture purchase of the half million square foot Eaton's College Street property in

downtown Toronto. This is a most important site with an exciting potential.

As I told you in my preliminary report the successful bid of the Hudson's Bay Company to obtain control of Markborough will enable the Company to maintain its separate identity. We are pleased that we will be able to continue with our present corporate structure and management team.

At the present time, the real property industry is healthy in most of its aspects. Given a reasonably stable economy, it should remain so, at least in the areas that concern us. But if costs and interest rates keep climbing, or there is a marked down turn in the business cycle because of energy and basic material shortages, the industry could be jeopardized.

But I do not think this will happen. I expect we will continue to prosper in 1974.

Many people contributed to the best year in our short history.

First of all, I would like to thank our Directors. Particular thanks to R.L. Friend, R.H. Gane, D.S. Lyall, D.B. Mansur, A.R. Marchment, J.H. Panabaker and E.D. Scott who have recently retired or have decided not to stand for re-election. These gentlemen have made significant contributions to the success of the company. They will be missed.

We lost, but we also gained. I am happy to announce two appointments to our board: D.S. McGiverin, President and Chief Executive Officer and P.W. Wood, Vice-President, Finance, both of Hudson's Bay Company. At the Annual Meeting management will be nominating as directors J. Jeffery, Chairman of the Board, London Life Insurance Company; A.J. MacIntosh, Deputy Governor of Hudson's Bay Company; and J.G.W. McIntyre, General Manager, Retail Development, Hudson's Bay Company. I know Markborough will benefit from the wise counsel and extensive business experience of these new Directors. We welcome them.

Finally, let me thank our management and staff. It was through their energy and dedication that we achieved this most successful year.

Yours very truly,

B.R.B. Magee

Brian R.B. Magee,
President.
January 31, 1974.

Markborough Properties Limited, Head Office, 50 Holly Street, Toronto M4S 2E9

Directors

D. S. Anderson
Chairman and Chief Executive Officer
Metro Centre Developments Limited
Toronto

R. H. Gane
Chairman of the Board
George Wimpey & Co. Limited
London, England

A. R. Grant
President
George Wimpey Canada Limited
Toronto

G. C. Gray
President
A. E. LePage Limited
Toronto

The Right Honourable
Viscount Hardinge
Honorary Chairman
Greenshields Incorporated
Montreal

H. P. Langer
Executive Vice President
Markborough Properties Limited
Toronto

D. S. Lyall
Vice President, Finance
Gulf Oil Canada Limited
Toronto

B. R. B. Magee
Chairman of the Board
A. E. LePage Limited
Toronto

D. B. Mansur
Director
Royal Insurance Group
Toronto

A. R. Marchment
President
Guaranty Trust Co. of Canada
Toronto

P. M. McEntyre
President
Commercial Trust Company Limited
Montreal

D. S. McGiverin
President and Chief Executive Officer
Hudson's Bay Company
Toronto

D. W. Pretty
President
North American Life Assurance Company
Toronto

D. F. Prowse
Executive Vice President
Markborough Properties Limited
Toronto

E. D. Scott
Senior Vice President
Greenshields Incorporated
Toronto

J. L. Toole
Chairman
CN Investment Division
Vice President
Canadian National Railways
Montreal

Peter W. Wood
Vice President, Finance
Hudson's Bay Company
Toronto

Officers

Brian R. B. Magee, F.R.I., S.I.R., C.R.E.
President

H. Peter Langer, F.R.I., S.I.R.
Executive Vice President

Donald F. Prowse, B.A., C.A.
Executive Vice President

John B. Alguire, B.A.SC., P.ENG.
Vice President

Kenneth C. Comyns, B.A.I., M.A., P.ENG.
Vice President

George H. Mundy, C.A.
Vice President and
Treasurer

Ronald C. Brown, B.A.
Secretary

Legal Counsel

Blake, Cassels & Graydon
Toronto

Harries, Houser, Brown & McCallum
Toronto

Auditors

Price Waterhouse & Co.
Toronto

Transfer Agent and Registrar

Canada Permanent Trust Company
Toronto, Montreal, Halifax, Winnipeg,
Calgary and Vancouver

Securities Listed

Montreal Stock Exchange
Toronto Stock Exchange

"A piece of sleeping land in one hand, a fitting idea in the other."

Executive Vice Presidents
Don Prowse and Peter Langer

We make land work.

We take a piece of sleeping land in one hand, a fitting idea in the other, and bind them into one: useful, attractive and profitable.

We scout fresh land, assemble it in workable packages, develop it immediately or lease it out until it's ready for use.

We determine the best uses for land, then work with the appropriate governments to achieve those uses.

We service land: installing water and sewage systems, hydro, roads and sidewalks. We sell this serviced land to builders, but only under rigid controls, demanding that the spirit of our plan be as strictly adhered to as the legalities.

We balance our raw land holdings, replenishing our bank as packages are serviced and sold.

We build our portfolio of income properties so there will be a cash base against periods of slow land development.

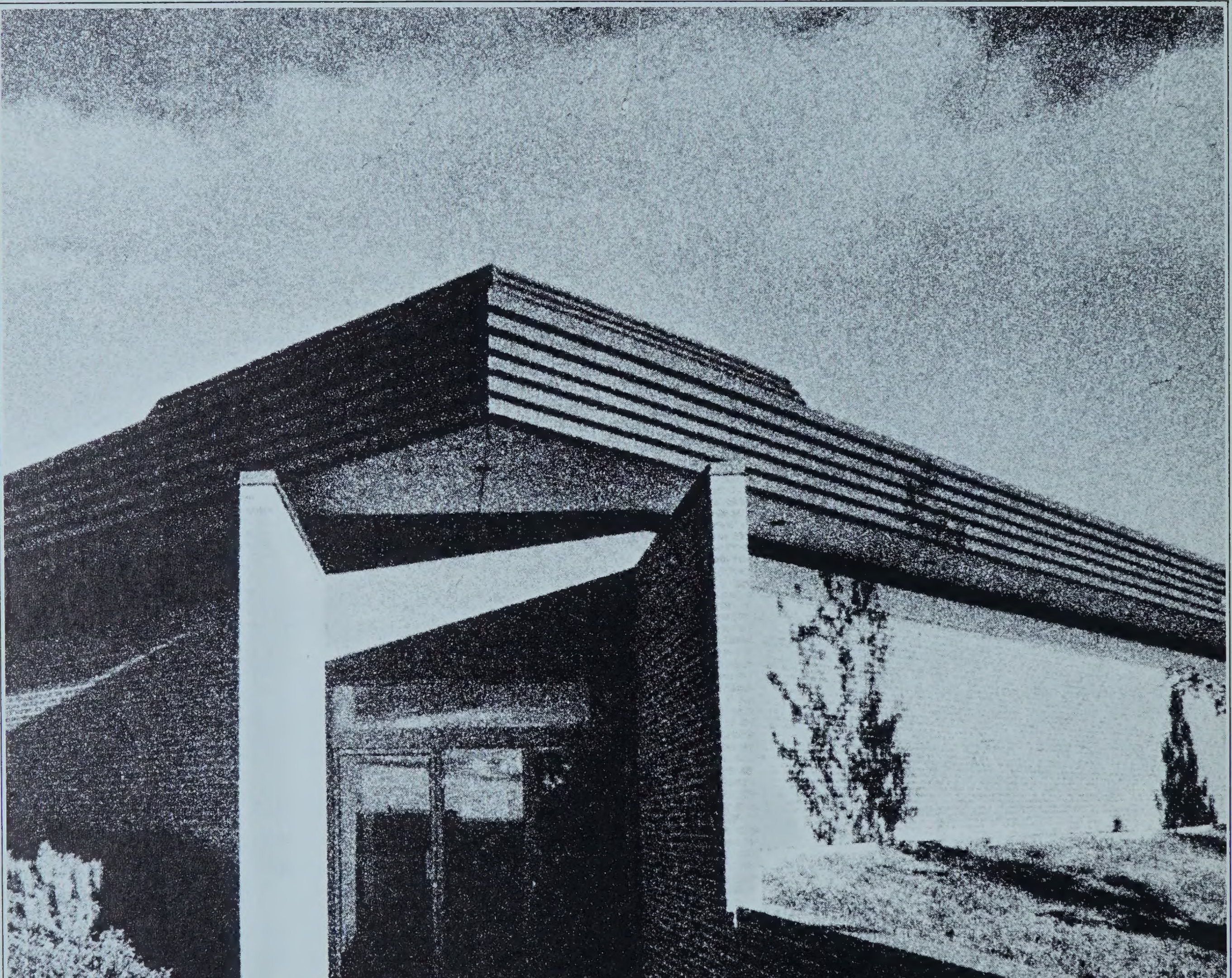
We develop, design, and build industrial, commercial and residential properties, either on our own or in joint venture.

We do this with thirty-seven people. And that's everybody, from top management on down. Keep the quality high, we believe, and the numbers low. Get the best, pay them well and give them their heads.

This precept works for us.

Here's how.

"We bound our dream in iron: the toughest building covenants in the country."



Meadowvale Information Pavilion

Meadowvale is a place apart.

It has a way of making us hard-headed businessmen go a little soft. So we have to sit on our enthusiasm when we report on this 3,000 acre new town in the country.

Yet the fact remains that Meadowvale has a very special quality. Not only for us, but far more important, for the people who already live and work there.

Right from planning we took a kind of oath. We swore it wouldn't just be another suburban development. You know the kind: regimented rows of tissue-box houses, all adding up to a thinly disguised military camp.

We wanted a place where a man could walk to work and back home if he chose. Where there was plenty of rolling green and trees. Where the houses looked like they belonged to, not robots, but individual human beings.

That was the dream, and dreams are fine. But we had to make sure it would become real. So we bound our dream in iron: the toughest building covenants in the country.

But would it all work? Would the people come? And having come, would they buy?

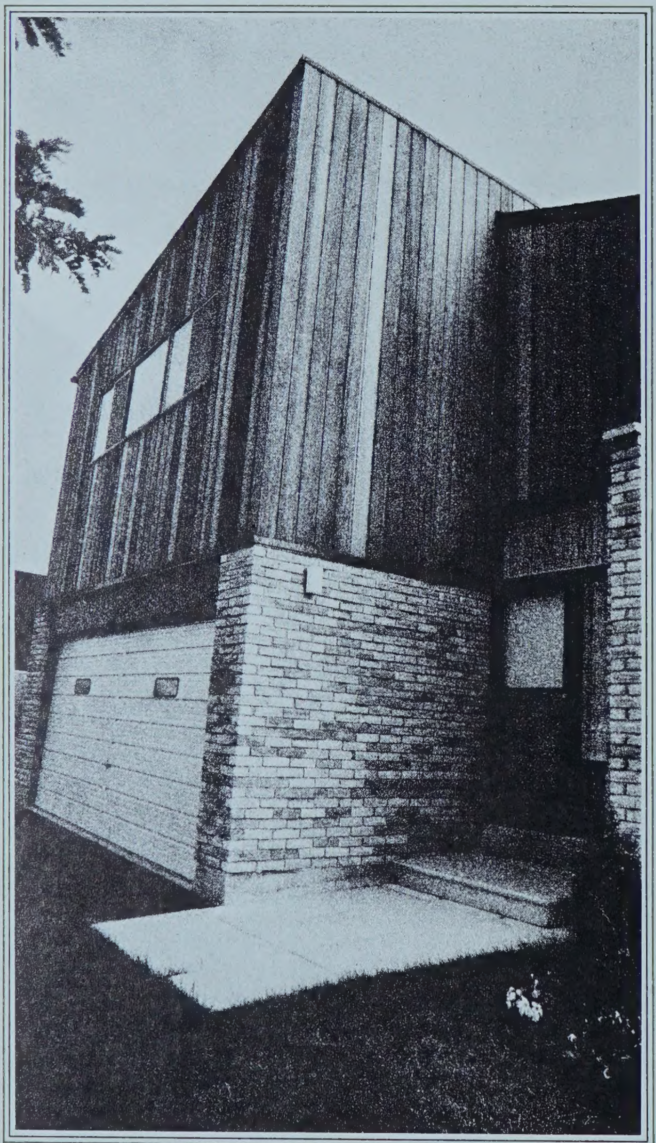
Let's see.

Last year, in Meadowvale South, the remaining single and semi-detached homes were sold. All available townhouses were sold. The townhouse recreation centre is up and thriving. All parkland is finished. The day care centre has gone through its first bustling year. The shopping centre is under way and will open this spring.

The first two (of seven) neighbourhoods in Meadowvale West are registered and serviced. This in spite of two major strikes during prime construction season. Staying on schedule meant the homebuilders could move ahead before freeze-up, which means we'll see first occupancy by the time the snow goes. The other five neighbourhood plans are up for approval and we're happy to tell you we're looking to advanced registration dates. Incidentally, Meadowvale West will provide varied housing for over 8,500 families.

Last year the provincial government announced its parkway belt policy. This set the route of the future Highway 407 and further set the northern limits of Meadowvale North. Conceptual plans are being amended to fit the new policy for Meadowvale's third and final phase.

Ken Comyns, Vice President and General Manager, Meadowvale



It's always good to run advertising you're proud of. It's particularly rewarding when that advertising also happens to work. The purpose of last year's campaign was to bring prospective home buyers to the information pavilion. Base Hamilton Edwards, our agency, prepared a low-key, people-oriented campaign that ran on TV, radio and in print.

We had the effects measured: on a random weekend, some 2,000 people showed up. Seventy-five per cent of these came as a direct result of our advertising. Because of its style and because of its measured effects, the campaign won a national award.

Speaking of the information pavilion, well over 20,000 people visited in 1973. The bulk of these were prospective home buyers, of course. But some of the other visitors were all the more interesting because they *weren't* looking for houses. We had over 800 students of all ages. We had school boards and planning boards, ratepayer groups, garden clubs and building associations. We had cabinet ministers, boards of trade and developers from as far away as China, Australia and England.

So obviously the Meadowvale dream is working. Mind you, we haven't been perfect. We put a continuous projection theatre in the information pavilion; it didn't work. We put a traffic island into an intersection far too early and had to tear it out. We were too slow in getting our commercial centre up and running in Meadowvale South.

In a project the size and heft of Meadowvale, mistakes like these may seem trivial. But the day we stop fussing about the little things is the day the big dream starts to come apart.

And we have no intention of letting that happen.

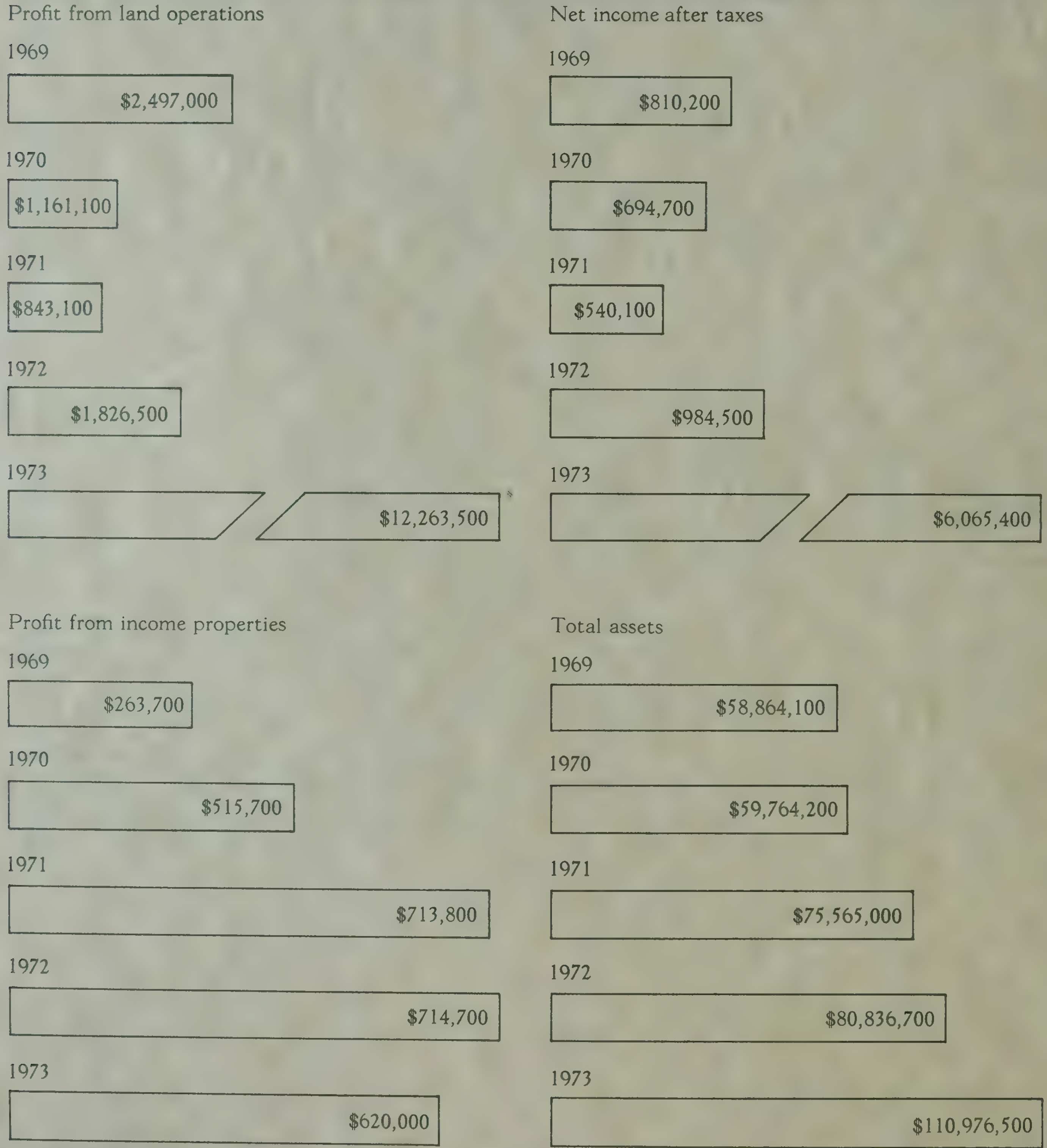
Financial

Operating, Financial and Statistical Highlights

1973 was the eighth complete year of the Company's operations.
A five year historical comparison of highlights is presented below.

	1973	1972	1971	1970	1969
Operating results for the year					
Revenue from land operations	$29,448,700	$ 7,046,800	$ 3,465,700	$ 4,002,000	$ 7,410,300
Revenue from income properties	6,132,600	5,233,700	4,953,500	4,754,200	3,771,300
Income before taxes	12,376,400	2,041,500	1,057,100	1,426,700	2,615,200
Net income after taxes	6,065,400	984,500	540,100	694,700	810,200
Per common share (weighted average)					
Net income after taxes	$1.53	$0.26	$0.15	$0.19	$0.22
Cash flow from operations	2.96	0.70	0.44	0.54	0.85
Financial position at the year end					
Undeveloped land	$34,735,500	$27,778,300	$27,984,900	$25,591,900	$22,054,300
Income properties	40,198,500	38,095,500	35,772,000	31,373,300	30,095,000
Bank debt	—	920,000	1,434,900	1,335,200	3,937,500
Mortgage and debenture debt	55,951,900	43,294,600	39,762,300	32,194,800	29,486,300
Share capital	20,694,800	20,614,600	18,590,600	18,590,600	18,590,600
Retained earnings	9,655,900	3,590,500	2,606,000	2,065,900	1,371,200
Statistical at the year end					
Common shares outstanding	3,959,199	3,944,299	3,652,294	3,652,294	3,652,294
Number of shareholders	1,872	2,390	2,425	2,476	2,364
Ratio of income properties to land held for development	1.2 to 1	1.4 to 1	1.3 to 1	1.2 to 1	1.4 to 1
Ratio of bank, mortgage and debenture debt to equity	1.8 to 1	1.8 to 1	1.9 to 1	1.6 to 1	1.7 to 1

Five Year Growth Pattern



Auditors' Report

Price Waterhouse & Co.

chartered accountants

P.O. Box 51 Toronto-Dominion Centre Toronto, Ont. M5K 1G1

December 4, 1973

To the Shareholders of
Markborough Properties Limited:

We have examined the consolidated balance sheet of Markborough Properties Limited and its subsidiaries as at October 31, 1973 and the consolidated statements of income and expenses, retained earnings and source and application of cash for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at October 31, 1973 and the results of their operations and the source and application of their cash for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Chartered Accountants

Markborough Properties Limited

Consolidated Statement of Income and Expenses For the Year Ended October 31, 1973 (with comparative figures for 1972)

	1973	1972
Revenue from land operations	$29,448,700	$7,046,800
Less cost	17,185,200	5,220,300
Profit from land operations (Note 1)	12,263,500	1,826,500
Revenue from income properties (Note 2)	6,132,600	5,233,700
Less:		
Operating expenses	1,499,700	1,293,200
Mortgage and other interest	2,235,100	1,713,900
Realty taxes	1,096,600	933,000
Depreciation (Note 3)	681,200	578,900
	5,512,600	4,519,000
Profit from income properties	620,000	714,700
Interest and other income	592,000	285,000
Income before general and administrative expenses	13,475,500	2,826,200
General and administrative expenses:		
Executive and office salaries	534,600	377,400
Bank and debenture interest	146,500	108,300
Other	418,000	299,000
	1,099,100	784,700
Net income before income taxes	12,376,400	2,041,500
Provision for income taxes (Note 4)	6,311,000	1,057,000
Net income for the year	$ 6,065,400	$ 984,500
Earnings per share (based on weighted average of shares outstanding during the year)—(Note 13(c))	$1.53	$ .26

Consolidated Statement of Retained Earnings For the Year Ended October 31, 1973 (with comparative figures for 1972)

	1973	1972
Retained earnings at beginning of year	$ 3,590,500	$2,606,000
Net income for the year	6,065,400	984,500
Retained earnings at end of year	$ 9,655,900	$3,590,500

Markborough Properties Limited (incorporated under the laws of Ontario)

Consolidated Balance Sheet — October 31, 1973
(with comparative figures at October 31, 1972)

ASSETS

	1973	1972
Cash	$ 268,500	$ —
Short term investments, at cost which approximates market	3,305,600	—
Accounts receivable	2,079,800	930,300
Mortgages and other secured receivables (Note 5)	22,550,800	6,060,200
Land (Note 6):		
For sale (Note 7)	6,683,400	7,250,500
For future development	34,735,500	27,778,300
	41,418,900	35,028,800
Prepaid expenses and other assets	1,154,400	721,900
Income properties (Note 6):		
Land	4,981,000	4,406,100
Buildings	37,281,400	28,670,700
Equipment	1,338,300	1,231,000
Construction in progress (Note 8)	339,700	6,848,400
	43,940,400	41,156,200
Less accumulated depreciation	3,741,900	3,060,700
	40,198,500	38,095,500
	$110,976,500	$80,836,700

On behalf of the Board:
B. R. B. Magee, Director
D. F. Prowse, Director

LIABILITIES AND SHAREHOLDERS' EQUITY

	1973	1972
Bank indebtedness (Note 9)	$ —	$ 920,000
Accounts payable and accrued liabilities:		
On construction and development in progress	3,151,000	1,214,600
Other, including accrued interest	2,473,100	1,583,700
Income taxes payable (Note 4)	1,347,000	—
Provision for development costs (Note 10)	7,443,500	3,856,800
Amount payable under land purchase agreement, due February 1978	590,300	1,056,900
Sinking fund debentures (Note 11)	10,000,000	10,000,000
Mortgages payable (Note 12)	45,951,900	33,294,600
Deferred income taxes (Note 4)	9,669,000	4,705,000
	80,625,800	56,631,600
Shareholders' equity:		
Capital stock (Note 13)—		
Authorized—6,000,000 common shares, no par value		
Issued—3,959,199 shares (1972—3,944,299 shares)	20,694,800	20,614,600
Retained earnings	9,655,900	3,590,500
	30,350,700	24,205,100
	$110,976,500	$80,836,700

Markborough Properties Limited

Consolidated Statement of Source and Application of Cash
For the Year Ended October 31, 1973 (with comparative figures for 1972)

	1973	1972
Cash was provided from:		
Operations—		
Net income for the year	$ 6,065,400	$ 984,500
Add expenses included therein not requiring a current outlay of cash—		
Depreciation	681,200	578,900
Income taxes, deferred	4,964,000	1,057,000
	11,710,600	2,620,400
Mortgages on income properties and land	15,291,300	1,985,500
Land, development and related costs realized through sales	17,185,200	5,220,300
Proceeds from sale of sinking fund debentures	—	3,000,000
Proceeds from issue of common shares	80,200	2,024,000
Increase (decrease) in other liabilities	3,273,700	(1,934,200)
Total cash provided	47,541,000	12,916,000
Cash was applied to:		
Short-term investments	3,305,600	—
Increase in accounts, mortgages and other secured receivables	17,640,100	2,666,200
Income property construction	1,917,000	2,468,800
Land—		
Acquisition	12,256,900	746,400
Development and related costs	7,626,600	4,322,000
Carrying charges	972,300	744,500
Mortgage principal repayments—		
Income properties	374,100	337,100
Land	2,259,900	1,116,100
Total cash applied	46,352,500	12,401,100
Net incoming cash	$ 1,188,500	$ 514,900

Notes to Consolidated Financial Statements October 31, 1973

1. Profit from land operations:

The Company's accounting policies comply with guidelines published by the Ontario Securities Commission relating to the recognition of profits in real estate transactions.

2. ~~Revenue from income properties:~~

Revenue from income properties includes gross rental revenue from all the Company's properties except Regina Centre and the industrial buildings. Revenue from Regina Centre has been included after deducting direct operating expenses. Revenue from industrial buildings is on a net basis as operating expenses and realty taxes are paid for by the tenants.

3. Depreciation policy:

The buildings included in income properties are being depreciated on a 3%, 40 year sinking fund basis. Under this method depreciation is charged to income in an amount which increases annually, consisting of a fixed charge together with interest compounded at the rate of 3% per annum, so as to fully depreciate the buildings over a 40 year period. Equipment is being depreciated at 15% on a straight-line basis.

4. Income taxes:

The Company's provision for income taxes has been calculated in accordance with generally accepted principles, by applying the income tax rate applicable to its 1973 fiscal year to net income earned during the year.

The portion of the provision that is currently payable, $1,347,000, is calculated by applying the same tax rate to the Company's taxable income which, because of certain sections in the Income Tax Act, is less than the net income shown in the Company's accounts. The section in the Income Tax Act which gives rise to the major difference between the Company's taxable and net income in 1973 allows a deferment of tax on profits from land sales until the proceeds are received in cash.

The remainder of the tax provision, $4,964,000, the amount not currently payable, is included on the balance sheet as deferred income taxes. Based on the Company's projections of future taxable income, it is unlikely that the balance of the deferred tax account will be reduced before 1978.

Included in the provision for income taxes is an additional tax provision of $50,000 (1972—$68,000) which results from a higher than normal tax liability incurred on certain lands sold during the year. These lands were acquired on amalgamation in 1965 and have been carried in the accounts at values in excess of those recognized for tax purposes (see Note 6). Accordingly, on these land sales income subject to tax exceeds that recorded in the Company's accounts.

5. Mortgages and other secured receivables:

Mortgages and other secured receivables, which arise from land transactions, bear interest at an average rate of 8.6% and mature as follows:

Fiscal year ending October 31,	1974	$ 1,161,800
	1975	15,372,700
	1976-1978	6,016,300
		$22,550,800

Under certain conditions the amounts due may be paid prior to maturity.

6. Valuation of land and income properties:

On August 12, 1965 Markborough Limited and Highbury Properties Limited amalgamated under the Ontario Corporations Act to form Markborough Properties Limited. Land originally held by Markborough Limited was recorded at cost. Land and income properties held by Highbury Properties Limited were recorded at approximately $1,800,000 less than the valuation at the date of amalgamation and approximately $4,100,000 in excess of the values recognized for income tax purposes. The potential tax liability created by this excess was taken into account in arriving at the values used.

Part of the property to which this excess applied has been sold and as a result the balance has been reduced to approximately $2,950,000 allocated as follows:

Income properties:		
Land	$1,100,000	
Buildings	300,000	
		$1,400,000
Land for sale or future development		1,550,000
		$2,950,000

The increment shown above relating to income properties will not result in additional taxes unless the properties are sold. At the present time it is not the Company's intention to sell these properties.

The land for sale or future development

subject to the increment is part of the Company's Meadowvale project. It is estimated that sales in this part of the project will extend over a ten year period and additional taxes of approximately $750,000 will be charged to income over that period.

Additions to land and income properties since August 12, 1965 are at cost which includes pre-development expenses and carrying charges (interest and real estate taxes). Carrying charges accumulated to date on land for future development amount to $3,124,000, including $887,000 in the current year.

7. Land for sale:

The Company adopts the practice, customary in the industry, of recording in its accounts as land for sale, the estimated cost on a fully developed basis of those parcels of land on which the planning, engineering, servicing and governmental authorization procedures are completed to the point that the land can be regarded as available for sale. The amount shown includes raw land costs and full provision for complete development costs as estimated. The unexpended portion of the estimated development costs is carried as a liability (see Note 10).

8. Construction in progress:

Estimated cost to complete construction of three projects in progress is approximately $690,000. Permanent financing on these projects will be arranged in due course.

9. Bank indebtedness:

Bank indebtedness is secured by demand debentures creating a first floating charge on the assets of the Company and ranking ahead of the security for the sinking fund debentures (Note 11).

10. Provision for development costs:

The Company estimates and provides for the full cost of servicing subdivisions currently under development. The provision for development costs is the unexpended portion of these estimates.

11. Sinking fund debentures:

The sinking fund debentures, authorized at $10,000,000 and secured by a floating charge on the assets of the Company (subject to the security referred to in Note 9), bear interest at 8½% and are repayable in 1977 to 1986 inclusive, at $1,000,000 per year. In addition, under certain circumstances the principal outstanding at any time may be reduced by the exercise of the share warrants issued in connection with these debentures (see Note 13(a)).

12. Mortgages payable:

Mortgages payable comprise the following:

On land for future development, at an average interest rate of 7.9% with varying repayment terms and maturing by 1991	$15,364,800
On income properties, at an average interest rate of 7.8% payable in equal instalments of principal and interest and maturing by 2004	30,587,100
	$45,951,900

Mortgages on income properties include $5,105,000 payable in United States funds converted at the exchange rates prevailing when the funds were received. Based on the October 31, 1973 exchange rate, the Company's liability on these mortgages is approximately $400,000 less than the amounts recorded. This amount will be taken into income if and when realized.

Principal repayments are due approximately as follows:

Fiscal year ending October 31, 1974	$ 2,041,600
1975	1,173,500
1976	1,463,800
1977	2,191,000
1978	1,495,000
Subsequent to October 31, 1978	37,587,000
	$45,951,900

13. Capital stock:

(a) In connection with the issue of $7,000,000 sinking fund debentures in 1971, warrants were issued during that year entitling the holders thereof to purchase 400,000 common shares of the Company at a price of $8 if exercised on or before January 30, 1977 and thereafter at a price of $9.50 if exercised on or before January 30, 1982. On the issue of the remaining $3,000,000 sinking fund debentures in 1972, warrants were issued during that year entitling the holders thereof to purchase an additional 171,429 common shares at a price of $8 if exercised on or before January 30, 1978 and thereafter at a price of $9.50 if exercised on or before January 30, 1983. For the purpose of these warrants, 571,429 common shares have been reserved. Under certain circumstances the above warrants may be exercised by an equivalent reduction in outstanding sinking fund debentures.

(b) On the exercise of options during the year, the Company issued 14,900 common shares for a total cash consideration of $80,200. No options were granted during the year. At October 31, 1973 options to purchase 28,300 shares at $5 (expiring 1976 to 1981) were outstanding. A further 9,000 shares are reserved for granting of future options.

(c) If the warrants and options referred to above were exercised and the funds derived invested at 9%, the Company's fully diluted earnings per share would be $1.38 (1972—no dilutive effect).

14. Joint ventures and subsidiaries:

(a) Nine of the Company's income properties, including one property under construction, and one parcel of land for future development are co-owned with other corporations under joint venture agreements. In such cases, the consolidated financial statements include only the Company's share of the assets, liabilities, revenues and expenses. The Company is contingently liable at October 31, 1973 for $7,589,000 representing the liabilities in the joint ventures of its co-owners but against such contingent liability the Company would have a claim upon the joint venture assets of its co-owners. The value of these joint venture assets exceeds the contingent liability.

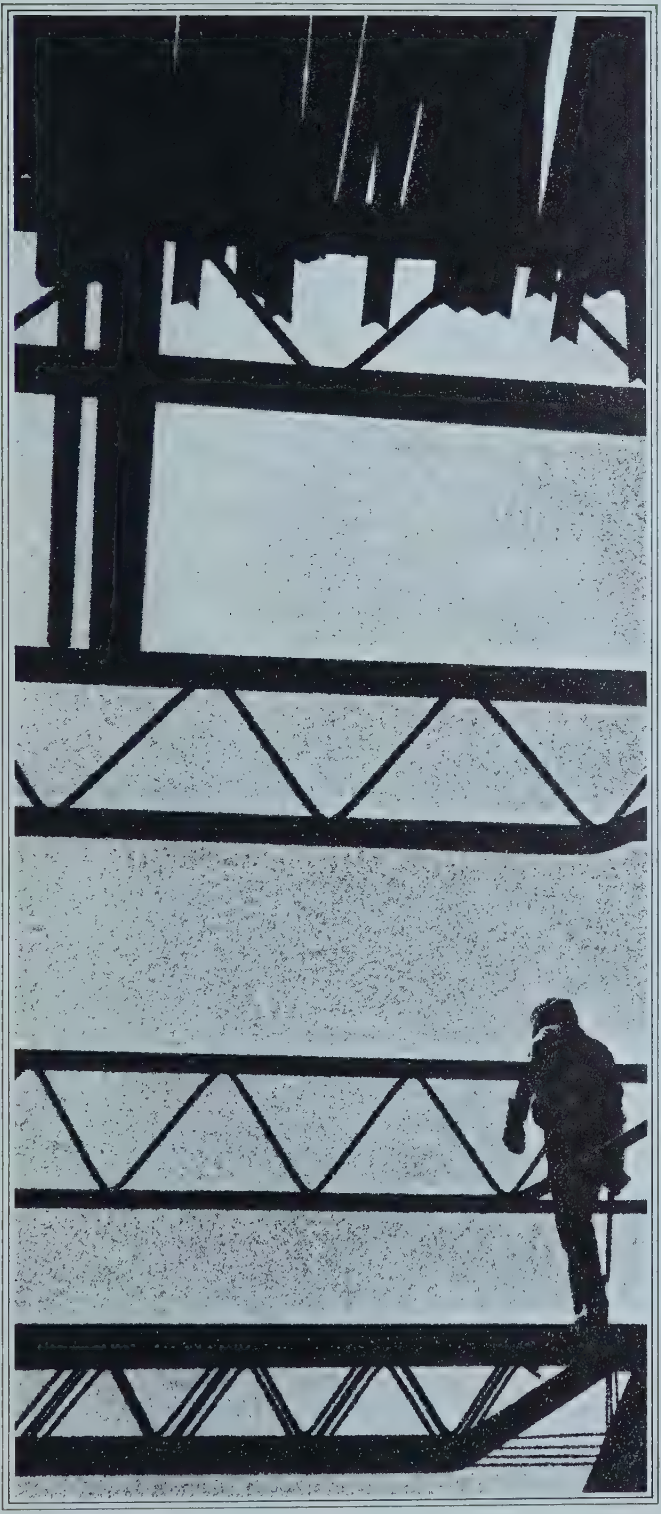
(b) The Company has two subsidiary companies, both wholly owned; Northhaven Farms Limited, which farms the Company's land for future development, and Canada Centre Development Corp Ltd., which is inactive. The consolidated financial statements include the accounts of these subsidiaries.

15. Remuneration to directors and senior officers:

The aggregate direct remuneration paid or payable to the directors and nine senior officers of the Company as defined in the Ontario Business Corporations Act (seven in 1972) in respect of the year ended October 31, 1973 was $558,000 (1972—$298,000).

George Mundy,
Vice President and Treasurer

"If a man is going to walk to work, the building he walks to should be as attractive as the home he comes from."



Our industrial division seeks out and buys appropriate land for present and future development. For now, we're putting our emphasis on property in and around Metro Toronto.

Alone or in joint venture, we provide the full spectrum of services to clients both large and small. These services range from site selection right through to design and construction. Buildings can be purchased outright or leased. This activity deliberately involves us in a variety of developments. Everything from single company sites to industrial parks with complex environmental controls.

Let's start with the parks. We have two of them, both in Mississauga. The 500 acre Meadowvale Industrial Park attached to, naturally enough, the new town of Meadowvale. And our joint venture, 90 acre Rexdale Park, near Toronto's International Airport.

Working hand in glove with the Meadowvale staff, the Industrial Division creates a pleasing and efficient complex that dovetails with the overall concept. We feel, for example, that if a man is going to walk to work, the building he walks to should be as attractive as the home he comes from.

Meadowvale's Industrial Park is moving. We expect the momentum to continue. As a matter of fact, we should see close to 3,000 people actually working there by mid-summer '74.

Some highlights:

National Cash Register now sits proudly in its new head office and data centre.

Carter-Wallace N.S., Inc. occupies its new plant.

Helena Rubenstein's plant is open and running.

Dresser Industrial Products is close to moving into its combined division headquarters, warehouse and service facility.

NTN Bearing-CAE Ltd. is finishing an $11,000,000 project fronting Highway 401.

Seltzer Organization (Canada) Ltd. is developing an office campus; four four-storey buildings on a 13 acre site.

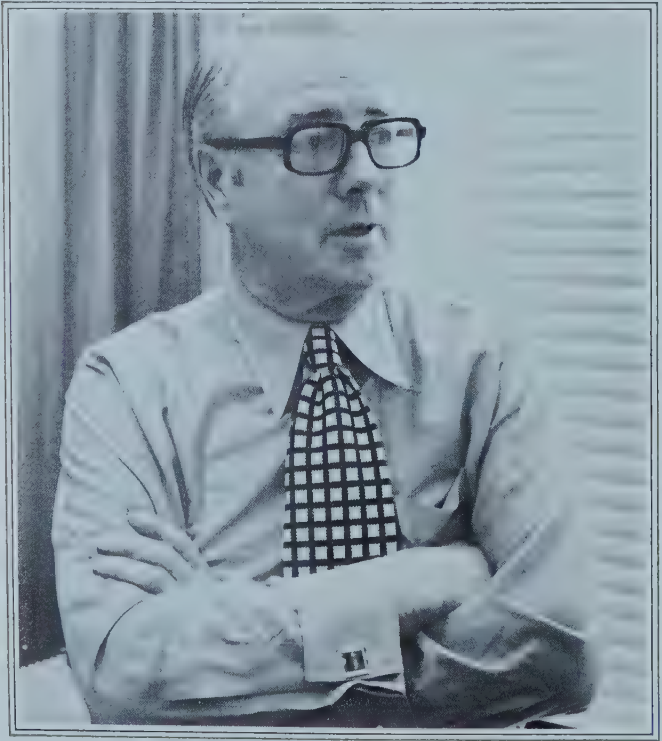
A total of 19 sites sold to date.

At Rexdale, we finished a 48,000 square foot office building for Hewlett-Packard, and a 70,000 sq. ft. headquarters and manufacturing centre for Hydrotherm Canada Ltd. A 56,000 sq. ft. multiple tenancy building was finished and is almost fully leased.

One of Rexdale's strongest attractions is its proximity to the Toronto International Airport. So we're preparing plans for additional buildings to meet the demand.

We've been very busy on Milner Avenue in Scarborough. We bought and leased a building to Dunlop Canada. An adjacent 31,000 sq. ft. structure is ready for leasing. Across the street we've started construction on a third. This 20,000 sq. ft. building will be ready for leasing this spring.

Finally, we've built and leased 30,000 square feet of industrial space to Better Packages of Canada Ltd. in Markham Township.



Reid Downey,
Vice President, Industrial Division

Gord Hunt,
Vice President, Industrial Division

Summary of Income Properties (at October 31, 1973)

METROPOLITAN TORONTO

Apartments:

Rideau Towers I (50% share)	49 Thorncliffe Park Drive	400 suites
Rideau Towers II (50% share)	53 Thorncliffe Park Drive	279 suites
The Somerset	605 Finch Avenue West	243 suites
The Clarion	20 Redgrave Drive	178 suites
The Westway	416 The Westway	102 suites
Westway Maisonettes	65 Sandwell Drive	16 suites
The Westerham	63 Callowhill Drive	112 suites
311 Dixon Road	311 Dixon Road	173 suites
Martinway Towers (70% share)	695 Martin Grove Road	141 suites
	60 Callowhill Drive	141 suites

Commercial/Industrial:

Office Building	7 Overlea Boulevard	150,000 sq. ft.
Office Building	15 Overlea Boulevard	160,000 sq. ft.
Office Building	240 Duncan Mill Road	170,000 sq. ft.
Industrial Building	75 Horner Avenue	90,000 sq. ft.
Industrial Building	25-49 Coldwater Road	54,000 sq. ft.
Industrial Building	310 Judson Street	80,000 sq. ft.
Industrial Building	110 Milner Avenue	30,000 sq. ft.
Industrial Building	120 Milner Avenue	30,000 sq. ft.
Industrial Building (50% share)	3610 Nashua Drive	56,000 sq. ft.
Industrial Building	55 Milner Avenue	43,000 sq. ft.
Industrial Building (50% share)	150 Telson Road	30,000 sq. ft.
Industrial Building (50% share)	6860 Rexwood Road	70,000 sq. ft.
Service Station Site (leased to oil company)	418 The Westway	

Under Construction:

Industrial Building	59 Milner Avenue	31,000 sq. ft.
Industrial Building (50% share)	3530 Nashua Drive	20,000 sq. ft.
Shopping Centre	6611 Falconer Drive	20,000 sq. ft.

REGINA, SASKATCHEWAN

Regina Centre (50% share) Hotel, shopping complex	1975 Broad Street	240 rooms

"We walked the land."

There's a lot we haven't talked about.

We scout, assemble and subdivide raw land; plan and develop commercial and residential property; manage industrial buildings; develop, lease and manage shopping centres.

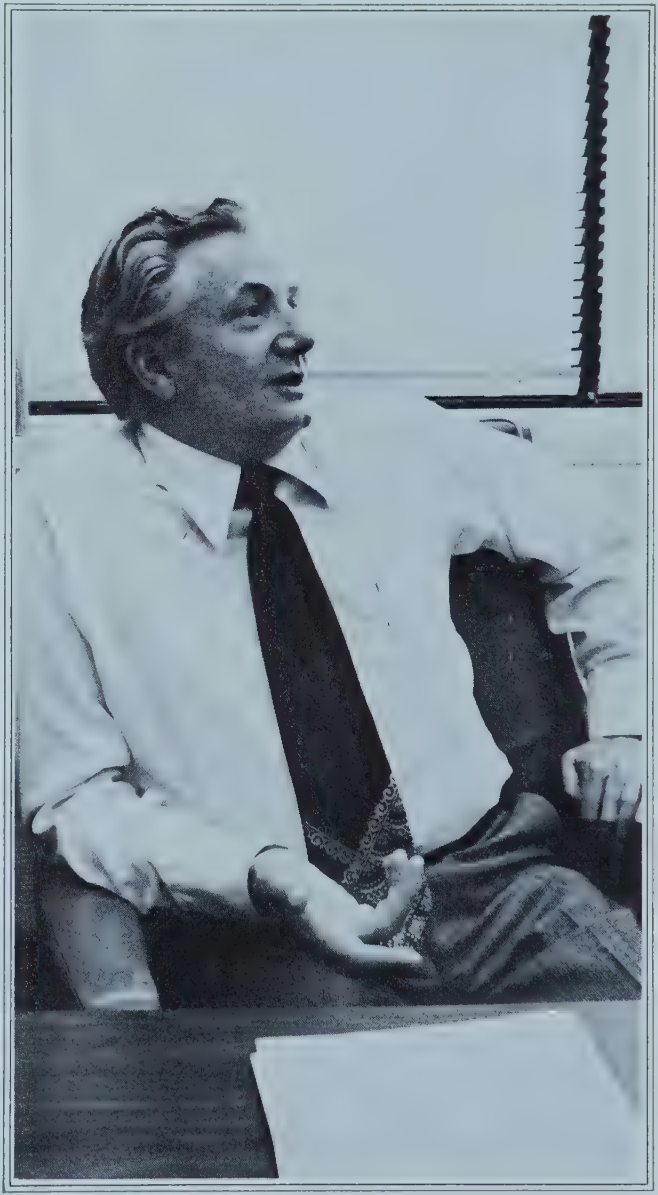
Some highlights:

During the year we bought land in Whitby (264 acres), Oakville (349 acres), and Burlington (64 acres). After year end we bought additional land in Whitby (492 acres), and Oakville (94 acres).

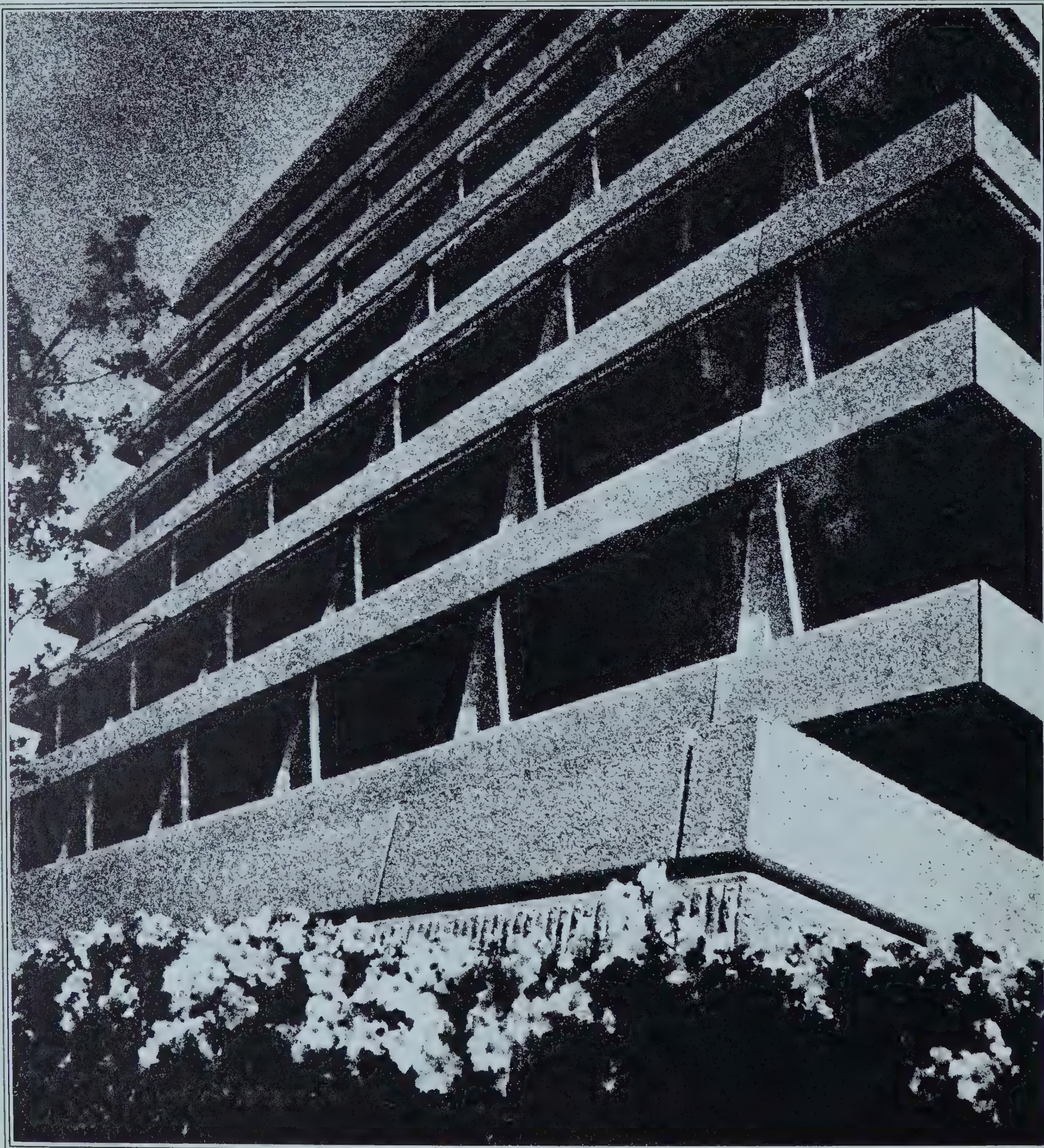
We walked the land, assessed the municipal services, made cost/revenue analyses. We co-ordinated with planners, surveyors, lawyers, engineers, agents and municipalities, right through to closing.

We processed our Brimley Forest subdivision in Scarborough. All residential land was sold. Municipal negotiations started early in '72. Services started late the same year and were finished for building permits by June '73. Ninety single family houses and 322 town houses are under construction. Some are occupied. A public school is built. A senior public school, a high school and a separate school are yet to come. Two 30 floor condominium apartments are proposed.

After two draft plans, we hope to see our 175 acre Langmaid Meadows development (Whitby) registered late this year.



Jack Alguire,
Vice President



We have three shopping centres in various stages of development.

There's the 20,000 square foot Meadowgreen Market on a 4 acre site in Meadowvale South. Construction is under way and leasing well in hand. We hope to have the centre 80% leased by opening in May.

Our Brimley Forest Shopping Centre is planned for 260,000 sq. ft. Construction is set for June '74. Lease commitments from Dominion Stores and Shoppers Drug Mart total 58,000 sq. ft. We are also negotiating with a junior department store for some 80,000 sq. ft.

We have agreed on a concept for the 67 acre Meadowvale West town centre. Included in this unique centre will be a 450,000 sq. ft. shopping centre. Construction could start this year.

We manage all properties completed by our Industrial Division and retained for investment purposes. At present there are nine buildings totalling 483,000 sq. ft.

Some other items:

We bought additional land in Winnipeg, adjacent to our St. Paul's College site. We continued expropriation discussions about our Markham lands with the Federal and Provincial Governments. Since year end, we acquired a minority interest in a new company formed to hold and develop the Eaton's College Street property in Toronto. We bought three parcels of land in Cleveland and plan to develop them on a joint venture basis. We initiated plans for a new six storey office building adjacent to 240 Duncan Mill Road.

As we said, a very good year.

MARKBOROUGH
PROPERTIES LIMITED

50 Holly Street, Toronto, Canada M4S 2E9

Printed in Canada

Consolidated Statement of Source and Application of Cash

For the Six Months Ended April 30, 1973 (Unaudited)

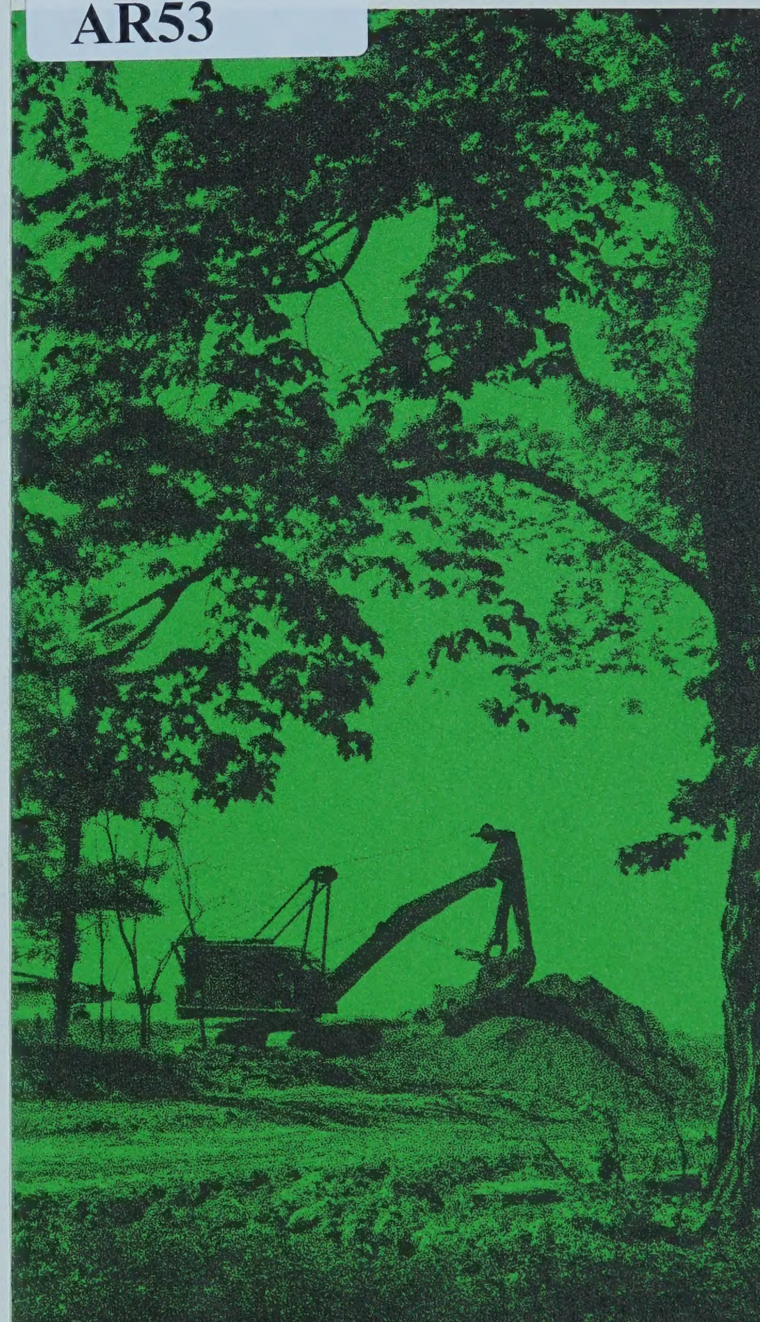
(with comparative figures for the six months ended April 30, 1972)

	1973	1972
Cash was provided from:		
Operations		
Net income for the period	$ 544,900	$ 753,300
Add expenses included therein not requiring a current outlay of cash:		
Depreciation	334,100	287,400
Income taxes, deferred	559,000	827,000
	1,438,000	1,867,700
Mortgages on income properties and land	3,652,400	785,000
Land, development and related costs realized through sales	2,633,600	4,534,700
Decrease (increase) in accounts, mortgages and other secured receivables	989,900	(3,762,800)
Proceeds from sale of common shares	55,100	23,900
Increase (decrease) in other liabilities	78,100	(1,325,700)
Proceeds from sale of sinking fund debentures	—	3,000,000
Total cash provided	8,847,100	5,122,800
Cash was applied to:		
Income property construction	576,800	954,200
Land:		
Acquisition	4,164,900	216,800
Development and related costs	2,432,300	2,172,600
Carrying charges	433,000	377,900
Mortgage principal repayments:		
Income properties	181,100	162,700
Land	1,469,200	492,300
Total cash applied	9,257,300	4,376,500
Net outgoing (incoming) cash	$ 410,200	$ (746,300)

Markborough Properties Limited
50 Holly Street, Toronto, Ontario
M4S 2E9

MARKBOROUGH PROPERTIES LIMITED

Interim Report to the Shareholders for the Six Months Ended April 30, 1973



Meadowvale West:
Development in harmony with the natural environment.

Dear Shareholder:

I am pleased to report our unaudited results for the six months ended April 30, 1973. Net income for the period was $544,900, 13.8¢ per share compared to $753,300, 20.6¢ per share for the same period last year.

Profit from income properties was adversely affected by our new Duncan Mill Road office building which was taken on stream at the beginning of the year when it was 44% leased. The net operating loss of this building after all charges including interest and depreciation was $138,900 in the period. Almost 70% of the space has now been leased and at this higher rental level the building's operating results will improve during the balânce of the year.

Land sales revenue booked to April 30 was $3,831,200 compared to $6,033,600 in the same period last year. These sales include about $1,440,000 in our Meadowvale industrial park and $1,280,000 in our new Brimley Forest subdivision in the Municipality of Scarborough. The demand for our industrial land is strong and further closings will take place in the second half of the year. The remaining lands in Brimley Forest are subject to conditional sales agreements totalling $6,460,000. We have further conditional sales agreements totalling $18,591,000, which relate to Phases I and II of Meadowvale West. The main conditions in these agreements concern the registration of plans of subdivision and the availability of building permits. Plans for Brimley Forest and Phase II of Meadowvale West have now been registered and we expect registration of Phase I in Meadowvale West later on this year. In the normal course, building permits are available after registration and after the various municipal services have been installed. Servicing of Brimley Forest to the permit stage is almost complete and we would expect the conditional sales agreements covering our remaining lands to be taken into income in the third quarter.

In Meadowvale West Phase II servicing is progressing satisfactorily and we should be able to book these sales prior to the end of our fiscal year. The servicing of Phase I is scheduled to commence in mid-summer and if our target dates are met, we should also be able to take a substantial portion of our Phase I conditional sales into revenue in 1973.

In the Meadowvale South residential area, registered and serviced last year, all single family and semi detached houses have been sold and sales of condominiums are proceeding well. About 650 housing units have been sold in this area.

Our industrial division is very active. Seven buildings totalling approximately 246,000 square feet are being constructed this summer, either for our own account or under contract for others. To maintain our inventory of development land we have acquired approximately 427 acres in the Whitby and Burlington areas. Locating and acquiring land suitable for profitable development will continue to be an important part of our activities.

The Company is progressing very well and as I indicated at the Annual Meeting I expect our operating results for 1973 will be substantially ahead of last year. We are gratified by the public response to our efforts to create communities of a high standard in which to live and work.

June 8, 1973. B. R. B. Magee, *President*

Consolidated Statement of Income and Expenses

For the Six Months Ended April 30, 1973 (Unaudited)

(with comparative figures for the six months ended April 30, 1972)

	1973	1972
Revenue from income properties	$2,937,800	$2,585,100
Less:		
Operating expenses	709,000	643,800
Mortgage and other interest	1,083,800	849,300
Realty taxes	560,000	455,600
Depreciation	334,100	287,400
	2,686,900	2,236,100
Profit from income properties	250,900	349,000
Revenue from land operations	3,831,200	6,033,600
Less cost	2,633,600	4,534,700
Profit from land operations	1,197,600	1,498,900
Interest and other income	123,300	111,000
Income before general and administrative expenses	1,571,800	1,958,900
General and administrative expenses:		
Executive and office salaries	220,700	167,100
Bank interest	70,200	52,000
Other	177,000	159,500
	467,900	378,600
Net income before income taxes	1,103,900	1,580,300
Provision for income taxes, deferred:		
Regular	528,000	764,000
Additional (See Note 1)	31,000	63,000
	559,000	827,000
Net income for the period	$ 544,900	$ 753,300
Earnings per share		
On shares outstanding (weighted average)	13.8¢	20.6¢
On fully diluted basis (See Note 2)	13.9¢	19.2¢
Cash flow per share	36.4¢	51.1¢

Notes:

1. The additional tax provision results from a higher than normal tax liability incurred on certain lands developed and sold during the period. These lands were acquired in 1965 on amalgamation and, as noted in the Company's year-end audited statements, have been carried in the accounts at a value in excess of that recognized for tax purposes.

2. Diluted earnings per share are based on the exercise of all outstanding warrants and options to purchase shares in the Company, assuming the funds derived are invested at 7%. The amount of such imputed income after taxes is $86,000 (1972 — $116,000).

Consolidated Statement of Retained Earnings

For the Six Months Ended April 30, 1973 (Unaudited)

(with comparative figures for the six months ended April 30, 1972)

	1973	1972
Retained earnings at beginning of period	$3,590,500	$2,606,000
Net income for the period	544,900	753,300
Retained earnings at end of period	$4,135,400	$3,359,300